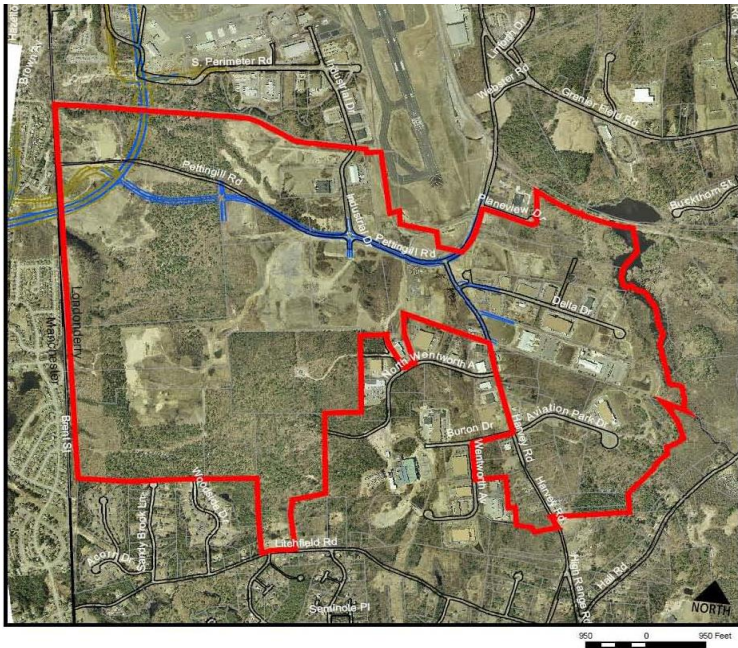


Pettengill Road Development Opportunities

Analysis and Findings

*Prepared for Londonderry Housing
and Redevelopment Authority*



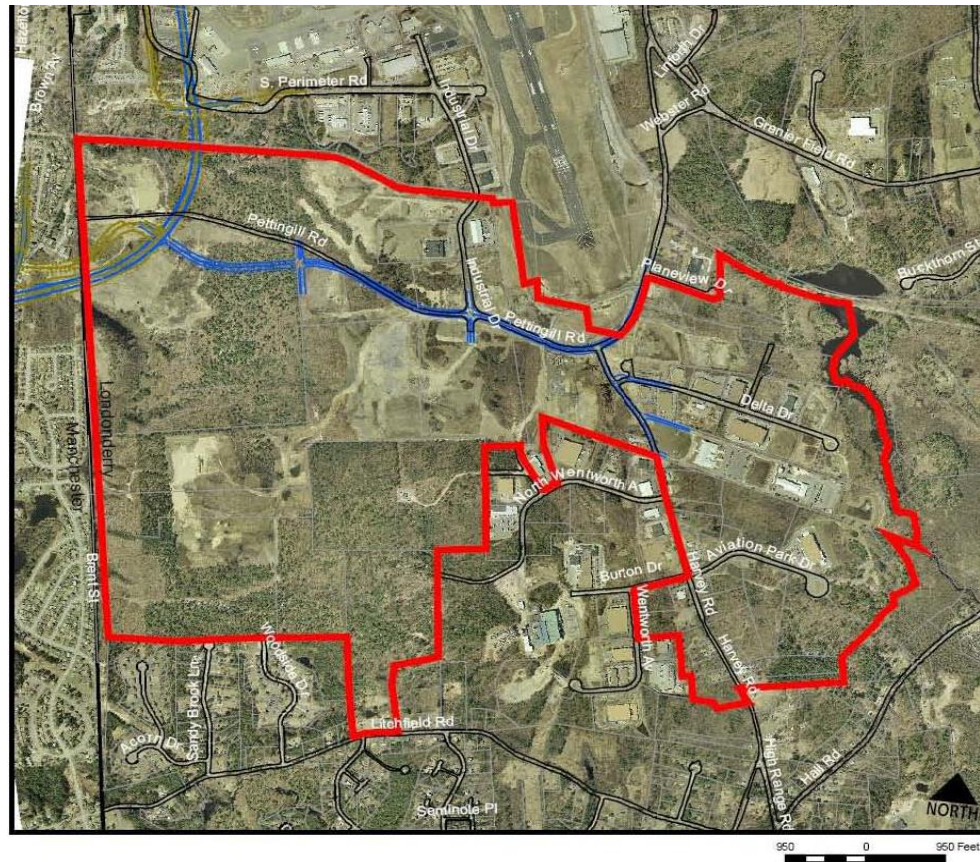
*December 2012
Applied Economic Research*

Laconia, New Hampshire

Pettengill Road Development Opportunities

This report was prepared by Applied Economic Research at the request of the Londonderry Housing and Redevelopment Authority. The purpose of the report is to present an economic and municipal investment analysis of the proposed Pettengill Road improvements in Londonderry, New Hampshire.

For several years the town of Londonderry has considered extending Pettengill Road from the existing terminus of Pettengill Road at Industrial Drive, to the new Airport Access Road:



The completion of the Airport Access Road, a limited access four lane roadway, from the Everett Turnpike to the airport in late 2011 provided an impetus for this examination of the improvements.

The completion of Pettengill Road improvements would serve two purposes: (1) It would provide easier access to the airport and the Turnpike/South Manchester from Londonderry and (2) It would open up nearly 1,000 acres of prime nonresidential land for business users. This report focuses on the latter opportunity.

The proposal calls for a four lane roadway and sewer extensions at a cost of \$12.5 million. Water and service roads off Pettingill are proposed by the town to be funded by private users.

The major conclusions of this analysis, as set forth in the attached power point report, are:

- Pettingill Road is the most attractive business development opportunity in New Hampshire—there is essentially no competition for its large, flat sites serviced by sewer and water elsewhere in the state;
- The Pettingill Road development opportunity is significant enough to have a major positive influence on the town's tax and employment base and could improve town-wide accessibility to the airport and turnpike. Pettingill Road:
 - Offers nearly 1,000 acres of prime business development land;
 - Can support 10,000-15,000 jobs;
 - Can generate \$200-300 million in new assessed value, generating \$6.5-7.5 million in net annual property taxes after allowing for municipal service (police, fire roads, etc.) costs;
- Market conditions have been weak, but are gradually improving and despite the current weakness, are adequate to justify the town's investment in Pettingill Road.
- Londonderry has outperformed the state and the Manchester region, demonstrating its ability to support new business development, even in the midst of an economic downturn.

- There are a variety of funding options available to the town including EDA grants, TIF, general obligation bonds, public-private partnerships and impact fees;
- The town could invest in the completion of Pettingill Road in advance of a major end user committing to the area and reach break-even in about 5-8 years.
- The town's finances are significantly more favorable if a major end user is committed prior to the town investing in the infrastructure—with a 500,000 square foot user, there is an immediate break-even on the town's investment;
- Major end users (250,000+ square feet) are scarce, but Pettingill Road offers one of (if not the only) only viable sites for them in the State;
- Overall, there is no more attractive tax-generating investment Londonderry can make in itself than the Pettingill Road infrastructure.
- It is advisable for the town to define the final TIF district and adopt a TIF ordinance so as to maintain the ability to respond quickly to the needs of an end user.
- The town should be careful to not allow existing Pettingill Road construction permits to lapse, which will begin to happen in July 2014.

Analysis and Findings

Issues Explored

- What are the competitive strengths and weaknesses of Pettengill Road development opportunities?
- What is the level of market support?
- What are the financial benefits of development to the town versus costs incurred by the town?
- What are alternative financing opportunities?

Conclusions

- Pettengill Road is the most attractive business development opportunity in New Hampshire;
- The Pettengill Road development opportunity is significant enough to have a major positive influence on the town's tax and employment base and could improve town-wide accessibility to the airport and turnpike;
 - Nearly 1,000 acres of prime business development land;
 - Can support 10,000-15,000 jobs;
 - Can generate \$200-300 million in new assessed value, generating \$6.5-7.5 million in net annual property taxes upon build-out, after allowing for municipal service (police, fire roads, etc.) costs;
- The Pettengill Road infrastructure is the most attractive tax base/employment generating investment Londonderry can make.
- Market conditions have been weak, but are gradually improving and are adequate to justify a reasonable investment by the town.
- Londonderry's has outperformed the state and the Manchester region markets, demonstrating its ability to support new business development.
- There are a variety of funding options available to the town including EDA grants, TIF, general obligation bonds, public-private partnerships and impact fees;
- The town could invest in the infrastructure in advance of a major end user committing to the area and reach break-even in about 5-8 years.
- The town's finances are significantly more favorable if a major end user is committed prior to the town investing in the infrastructure—with a 500,000 square foot user, there is an immediate break-even on the town's investment;
- Major end users (500,000+ square feet) are scarce, but Pettengill Road offers one of the only viable sites for them in the State;
- It is advisable for the town to define the final TIF district and adopt a TIF ordinance so as to maintain the ability to respond quickly to the needs of an end user.
- The town should be careful to not allow existing Pettengill Road construction permits to lapse, which will begin to happen in July 2014

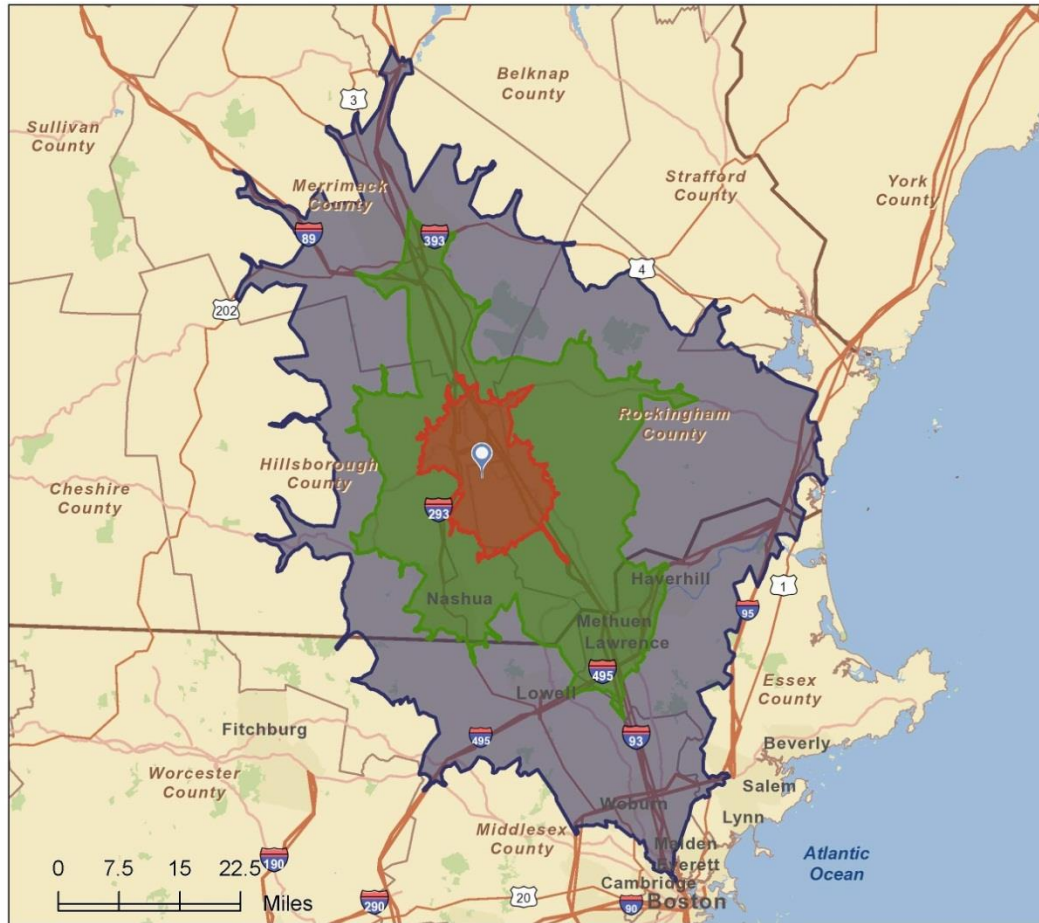
Pettengill Road is the State's Premier Business Park Development Setting

- 900+ acres of prime private/public land available for development;
- Road is fully permitted and engineered (but approvals begin to expire in July 2014);
- Zoning (General Business) can accommodate wide range of uses;
- Excellent access to Interstate highway system;
- Adjacent to Northern New England's busiest airport;
- Water and sewer with adequate capacity can readily be extended to serve the development;
- Airport environs have demonstrated long-term marketability;
- Land is pre-assembled—two development entities own the majority of the land;
- Land is physically ideal to accommodate a wide range of businesses including manufacturing, warehouse, office, lodging and retail;
- Large, skilled labor force is nearby;

Demographics and Labor Force

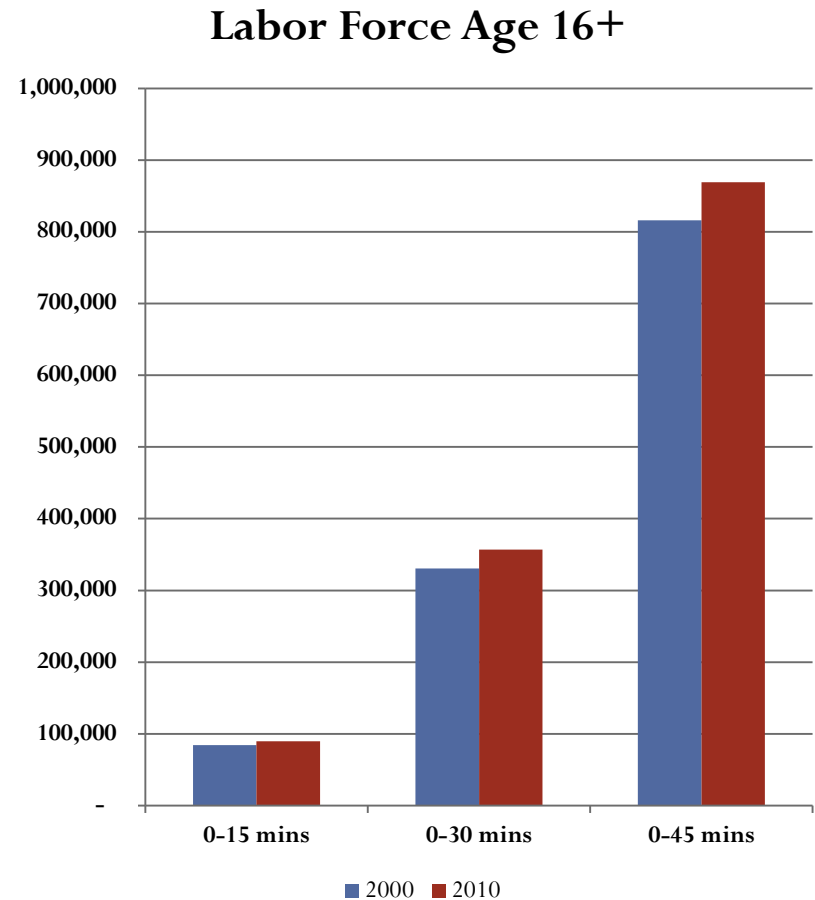
- *Londonderry is central to a densely populated, skilled labor market;*
- *This is critical to attracting new business investment.*

Market Area: 15, 30 and 45 Minute Drive Times (Non Peak Hour)



Labor Force

- Labor force (employed and looking for work) totals over 850,000 within 45 minutes;
- Labor force grew at about a 6% rate during the past decade.
- Estimated 80,000+ unemployed within 45 minutes.



Significant Pool of Experienced Workers To Draw From Within 45 Minutes.

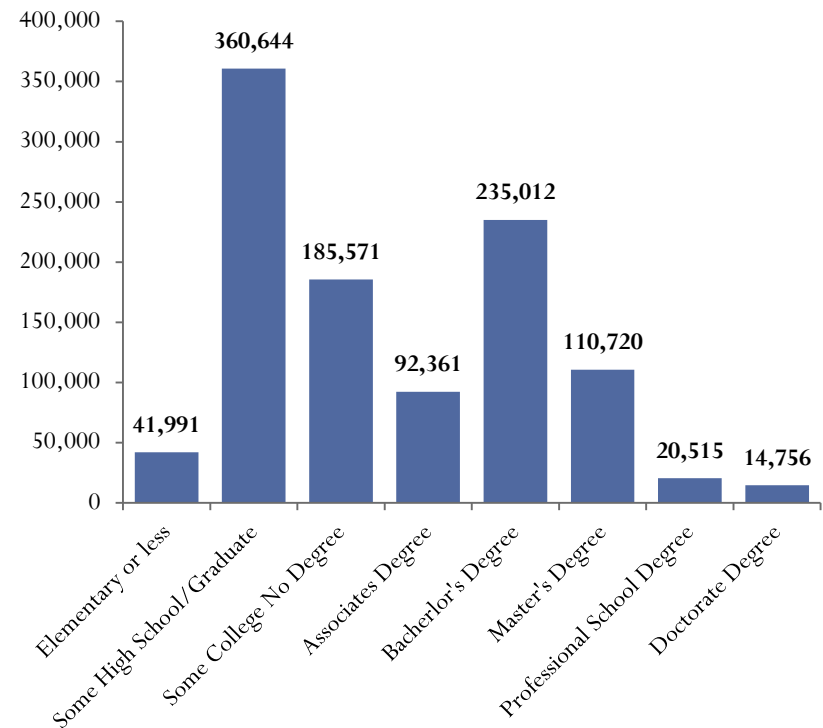
- 98,200 manufacturing workers
- 23,900 information sector workers
- 376,100 service workers

2010 Employed Population 16+ By Industry			
	0-15 mins	0-30 mins	0-45 mins
Agriculture/Mining	200	900	2,200
Construction	5,000	18,100	44,800
Manufacturing	9,900	44,200	98,200
Wholesale Trade	3,700	12,900	29,300
Retail Trade	12,400	45,400	98,600
Transportation/Utilities	3,600	12,700	31,300
Information	2,100	8,500	23,900
Finance/Insurance/Real Estate	7,000	24,800	59,100
Services	35,100	145,000	376,100
Public Administration	3,400	14,300	35,800
Total	82,400	326,800	799,300

Well Educated Labor Force

- Nearly 500,000 workers within 45 minutes of Londonderry have an Associates degree or higher.
- 36% of workers age 25+ within a 45 minute drive have at least a bachelor's degree, versus 28% nationally.

Highest Educational Attainment, 45 Minute Drive, 2010

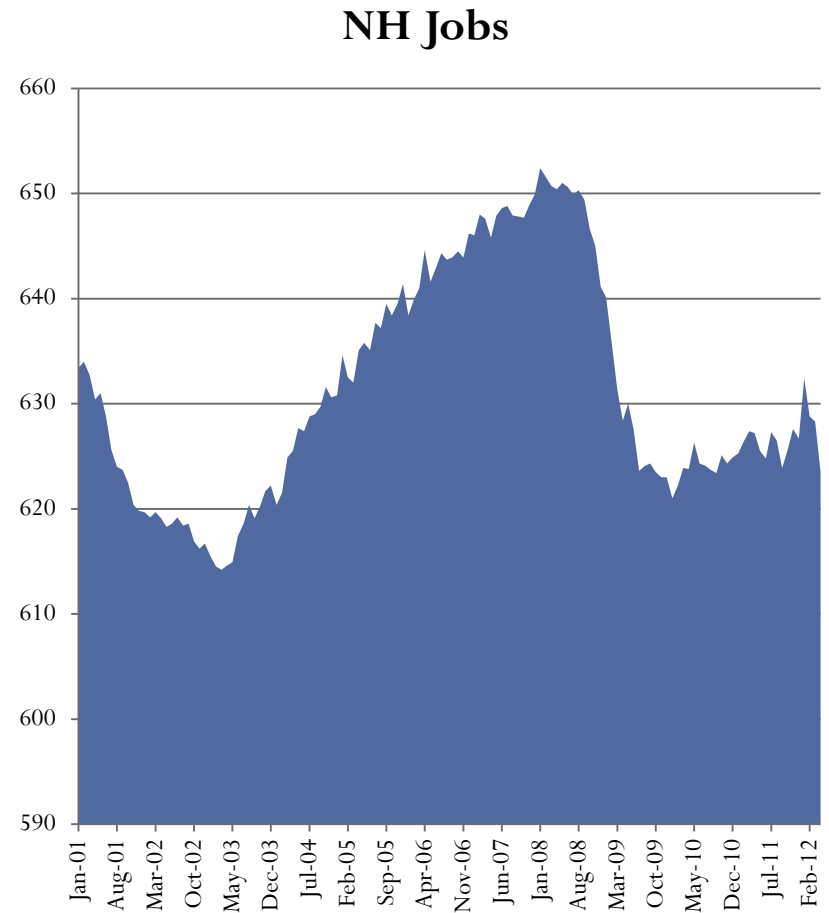


Employment and Market Conditions

- The State and Metropolitan Manchester have been losing jobs, which signifies slower new business investment;
- Office and industrial vacancy rates in the I-93 corridor have been high, but are beginning to show improvement;
- Londonderry has outperformed the State and Region in terms of job growth, however, demonstrating it remains an attractive business investment setting;
- Londonderry's office and industrial vacancy rates are well below the experience of other I-93 communities, demonstrating a healthy local economy and real estate market.

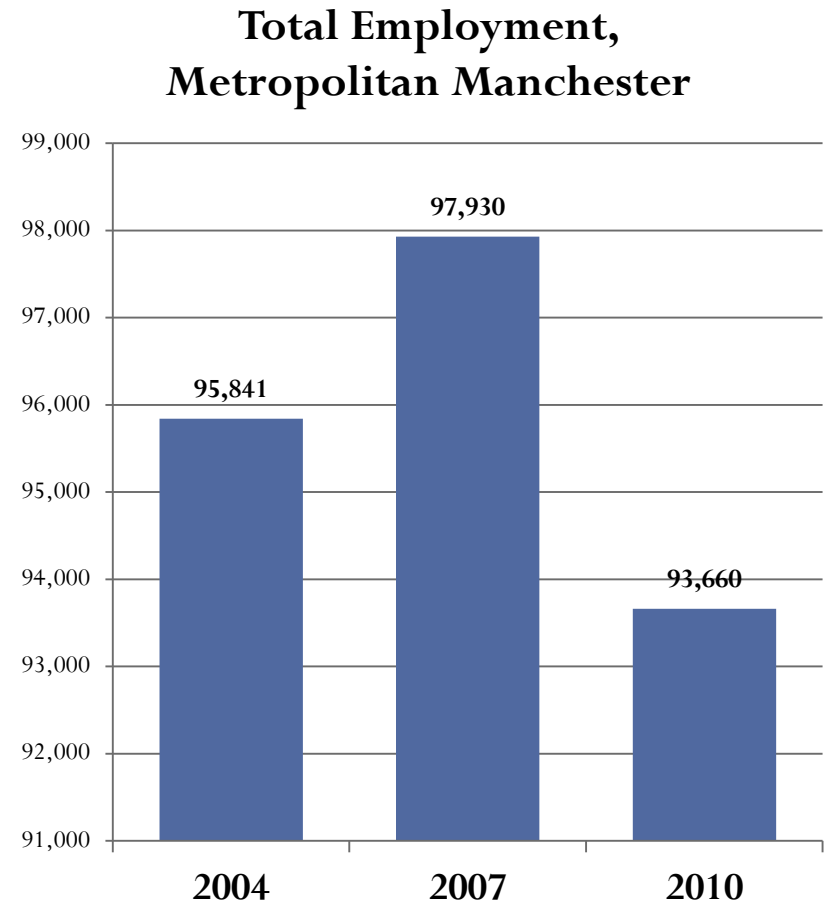
NH Is Losing Jobs

- NH Lost 30,000 jobs in this recession;
- Has recovered relatively few of the lost jobs;
- Recent losses have been sustained in most sectors including manufacturing, retail trade, health care and government



Metro Manchester is Also Losing Jobs

- Metro Manchester was showing employment growth, 2004-2007;
- Growth impacted by current national and state recessions and Metro Manchester has been losing jobs;
- Declining employment is a sign of weaker demand for non-residential building space.



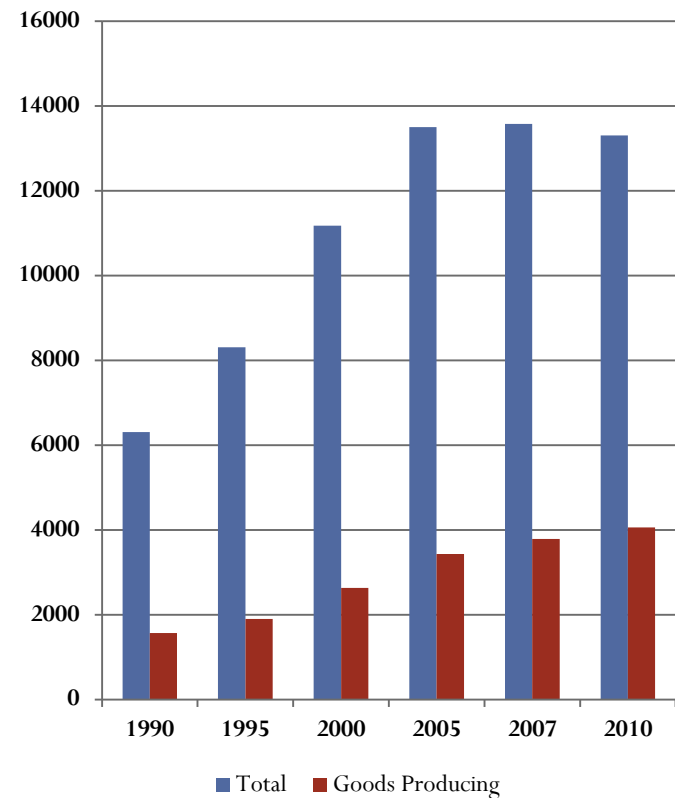
- Metro Manchester lost 4,200 jobs between 2007 and 2010;
 - National recession
 - State-wide slowdown
 - Little in-migration of new firms
- Most Pettengill Road target sectors (highlighted in yellow) have been losing jobs, reducing space needs.

Metropolitan Manchester Job Trends					
	2004	2007		2010	
	Average	Average		Average	
	Annual	Annual	Change	Annual	Change
	Employment	Employment	2004-07	Employment	2007-10
Total, Private plus Government	95,841	97,930	2,089	93,660	-4,270
Total Private	85,066	87,013	1,947	82,408	-4,605
Goods Producing	14,866	14,425	-441	11,675	-2,750
Agriculture, Forestry, Fishing and Hunting	49	38	-11	40	2
Mining	84	206	122	137	-69
Construction	5,180	4,804	-376	3,621	-1,183
Manufacturing	9,552	9,377	-175	7,877	-1,500
Service Providing	70,200	72,588	2,388	70,733	-1,855
Wholesale Trade	5,192	4,732	-460	4,156	-576
Retail Trade	12,551	12,586	35	11,864	-722
Transportation and Warehousing	2,294	2,356	62	2,185	-171
Information	3,336	3,257	-79	3,228	-29
Finance and Insurance	6,419	5,895	-524	5,281	-614
Real Estate and Rental and Leasing	1,908	1,834	-74	1,533	-301
Professional and Technical Services	5,385	5,933	548	5,950	17
Administrative and Waste Services	4,762	5,793	1,031	5,420	-373
Educational Services	2,299	2,649	350	2,798	149
Health Care and Social Assistance	12,015	13,158	1,143	14,152	994
Arts, Entertainment, and Recreation	1,100	1,141	41	1,175	34
Accommodation and Food Services	7,050	7,331	281	7,051	-280
Other Services Except Public Admin	3,581	3,826	245	3,546	-280
Total Government	10,775	10,917	142	11,252	335
Federal Government	2,567	2,315	-252	2,389	74
State Government	1,413	1,421	8	1,455	34
Local Government	6,795	7,182	387	7,408	226

Londonderry, However Shows Strength

- Londonderry experienced strong job growth in the 1990s;
 - Londonderry's job growth has slowed recently, but nonetheless outperformed the state and the metro Manchester areas;
 - Londonderry's goods producing jobs (primarily manufacturing and construction) have shown growth recently, in contrast to regional, state and national losses;
 - This performance Attributable to a favorable market setting, available zoned land and adequate utilities
- Pettengill Road Analysis - Applied Economic Research

Londonderry Employment Trends

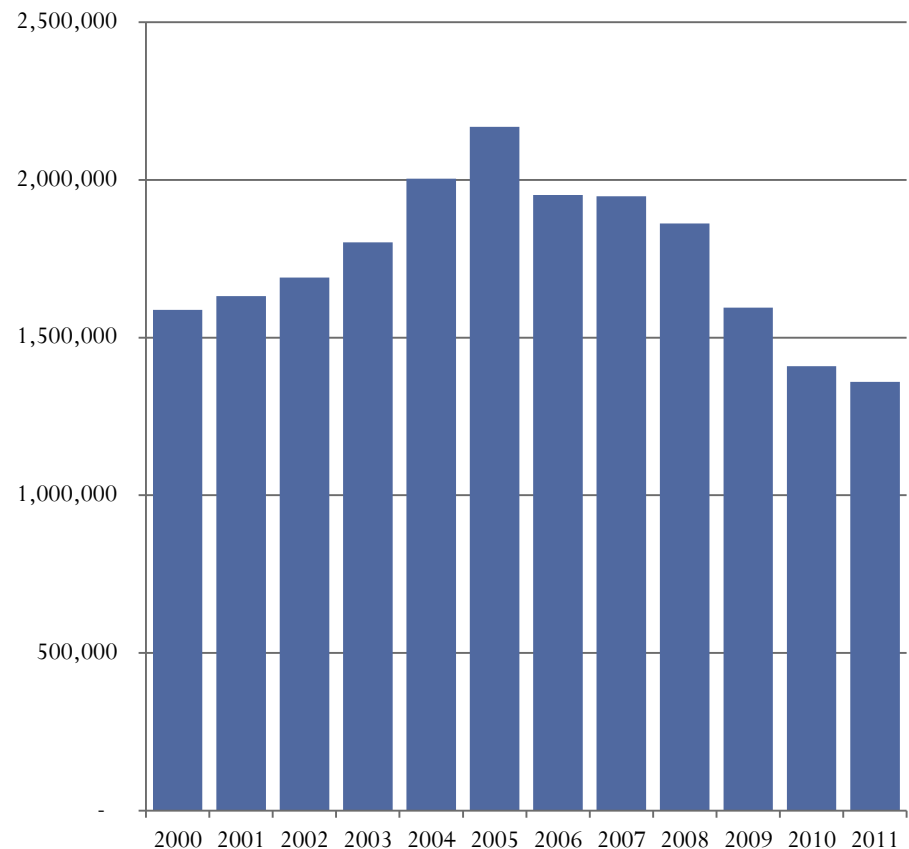


Londonderry Recent Employment Changes By Industry						
					Change	Change
	2004	2007	2010		2004-07	2007-10
Total, Private plus Government	13,240	13,579	13,306		339	-273
Total Private	12,085	12,334	12,136		249	-198
<i>Goods-Producing Industries</i>	<i>3,248</i>	<i>3,792</i>	<i>4,061</i>		<i>544</i>	<i>269</i>
Construction	910	841	724		-69	-117
Manufacturing	2,256	2,879	3,267		623	388
<i>Service-Providing Industries</i>	<i>8,838</i>	<i>8,542</i>	<i>8,075</i>		<i>-296</i>	<i>-467</i>
Wholesale Trade	1,210	1,252	1,250		42	-2
Retail Trade	1,898	1,924	1,800		26	-124
Transportation and Warehousing	824	911	804		87	-107
Information	181	72	59		-109	-13
Professional and Technical Service	581	427	388		-154	-39
Management of Companies	268	319	188		51	-131
Administrative and Waste Services	1,490	1,176	999		-314	-177
Health Care and Social Assistance	694	727	686		33	-41
Accommodation and Food Services	715	754	846		39	92
Other Services Except Public Admin	416	429	485		13	56
Total Government	1,155	1,246	1,170		91	-76
Federal Government	35	90	69		55	-21
State Government	15	16	15		1	-1
Local Government	1,106	1,139	1,086		33	-53

Airport Passenger Activity is Declining

- Annual enplanements have declined due to airline industry competitive forces;
- These declines are disappointing, but they demonstrate there is capacity to accommodate additional activity at the airport.

Manchester Airport Annual Passenger Enplanements

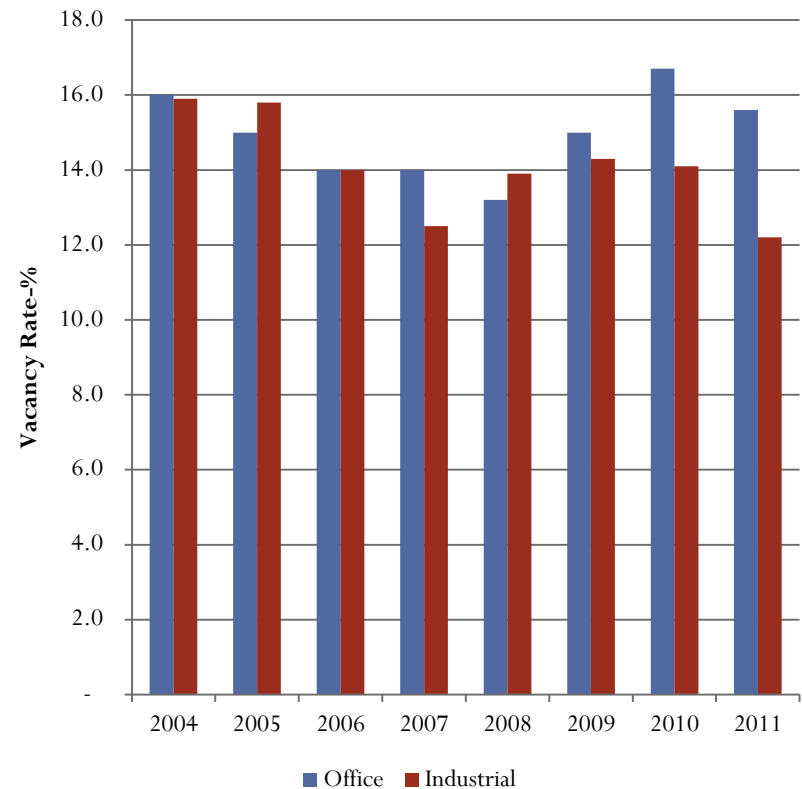


The Office and Industrial Vacancies Are High

- Vacancy rates remain high, particularly for office space, but are beginning to improve;
- Noticeable improvement in industrial vacancy rate as some large buildings are leasing to multiple tenants.

Source: CB Richard Ellis

**Office and Industrial Vacancy Rate:
I-93 Corridor**



Office Market is Seriously Over Supplied

- 15% vacancy = 3.5 Million vacant square feet in I-93 corridor;
- Little, if any, new construction;
- Weak job growth, little in-migration of users and downsizing are the underlying factors;
- Londonderry outperforms the market with a 9% vacancy rate for office space.

I-93 Corridor Office Market Snapshot				
Submarket	Total SF	Vacant SF	Vacancy %	Average Asking Rent (\$/SF)
Amherst	267,263	68,506	25.6%	\$10.00
Auburn	60,000	15,150	25.3%	\$9.00
Bedford	1,789,922	247,409	13.8%	\$12.00
Bow	32,155	6,883	21.4%	\$10.00
Concord	2,199,401	362,845	16.5%	\$13.80
Derry	211,876	52,553	24.8%	\$10.00
Hooksett	299,243	7,928	2.6%	\$10.50
Hudson	41,091	9,000	21.9%	\$8.50
Londonderry	584,864	56,906	9.7%	\$12.00
Manchester	7,645,256	1,288,420	16.9%	\$11.60
Merrimack	2,154,088	266,410	12.4%	\$11.25
Nashua	4,002,513	700,436	17.5%	\$11.00
Salem	1,435,922	144,806	10.1%	\$13.00
Windham	191,979	31,660	16.5%	\$11.50
I-93/Route 3	20,915,573	3,258,912	15.6%	\$11.01
source: CB Richard Ellis				

Industrial Market Shows Improvement, But Is Still Weak

- 12% vacancy = 5 million square feet of vacant space;
- Londonderry outperforms (partially because of less multi-tenant space);
- Substantial vacancy in large buildings in Nashua and Salem;
- Londonderry outperforms the market with a very low 4.7% vacancy rate in over 4.5 million square feet of space.
- Source of analysis is Applied Economic Research

New Hampshire I-93 Industrial Market Snapshot				
Submarket	Total SF	Vacant SF	Vacancy %	Average Asking Rent (\$/SF NNN)
Amherst	1,133,846	150,814	13.3%	\$5.90
Auburn	225,680	52,680	23.3%	\$6.00
Bedford	942,839	41,000	4.3%	\$6.25
Bow	162,293	76,196	46.9%	\$5.80
Concord	2,548,774	419,443	16.5%	\$5.60
Derry	1,132,451	167,888	14.8%	\$6.00
Hooksett	1,330,834	135,030	10.1%	\$6.00
Hudson	3,728,090	508,110	13.6%	\$5.90
Londonderry	4,564,223	215,382	4.7%	\$5.80
Manchester	8,930,949	687,648	7.7%	\$5.70
Merrimack	3,740,122	427,311	11.4%	\$5.25
Nashua	9,068,413	1,355,339	14.9%	\$5.60
Salem	3,515,086	765,824	21.8%	\$6.00
Windham	328,200	51,652	15.7%	\$6.20
I-93/Route 3	41,351,800	5,054,317	12.2%	\$5.86
source: CB Richard Ellis				

The Experience of Comparable Developments: *Pease International Tradeport* *Centerra-Lebanon/Hanover*

- *Both have been successful:*
 - *Pease Tradeport has attracted over 4.5million square feet of business users, generating 6,500 jobs on the base and supporting nearly 10,000 jobs in the Seacoast region.*
 - *Total wages at Pease are now over \$500 million and annual property taxes exceed \$4 million*
 - *Centerra is essentially built-out, with 90 acres of land developed;*
 - *Centerra was selective to secure a productive mix of retail, lodging, office and high tech users.*
 - *In both cases, investment in infrastructure was undertaken before business uses committed.*



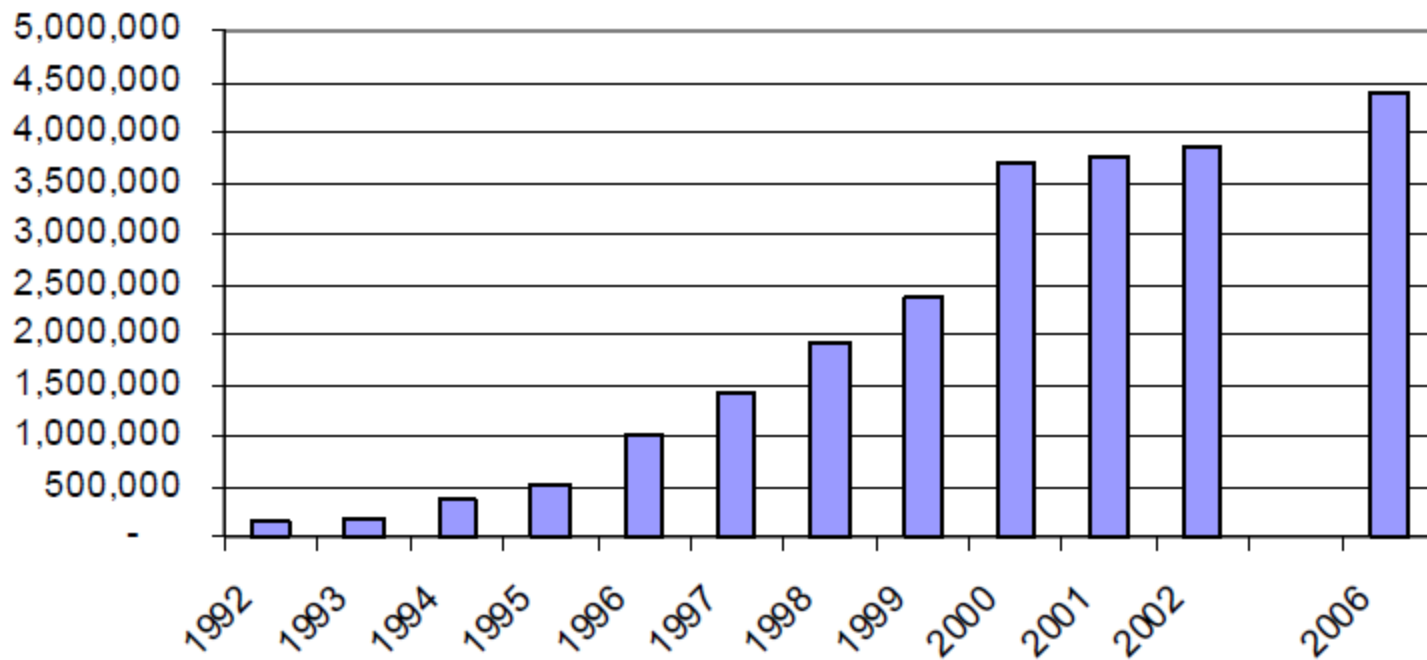
- Active development period is 1992-2006;
- Land is leased, not sold;
- Diverse occupancy—nearly 300 members of Tenants association

Pettengill Road Analysis Applied Economic Research

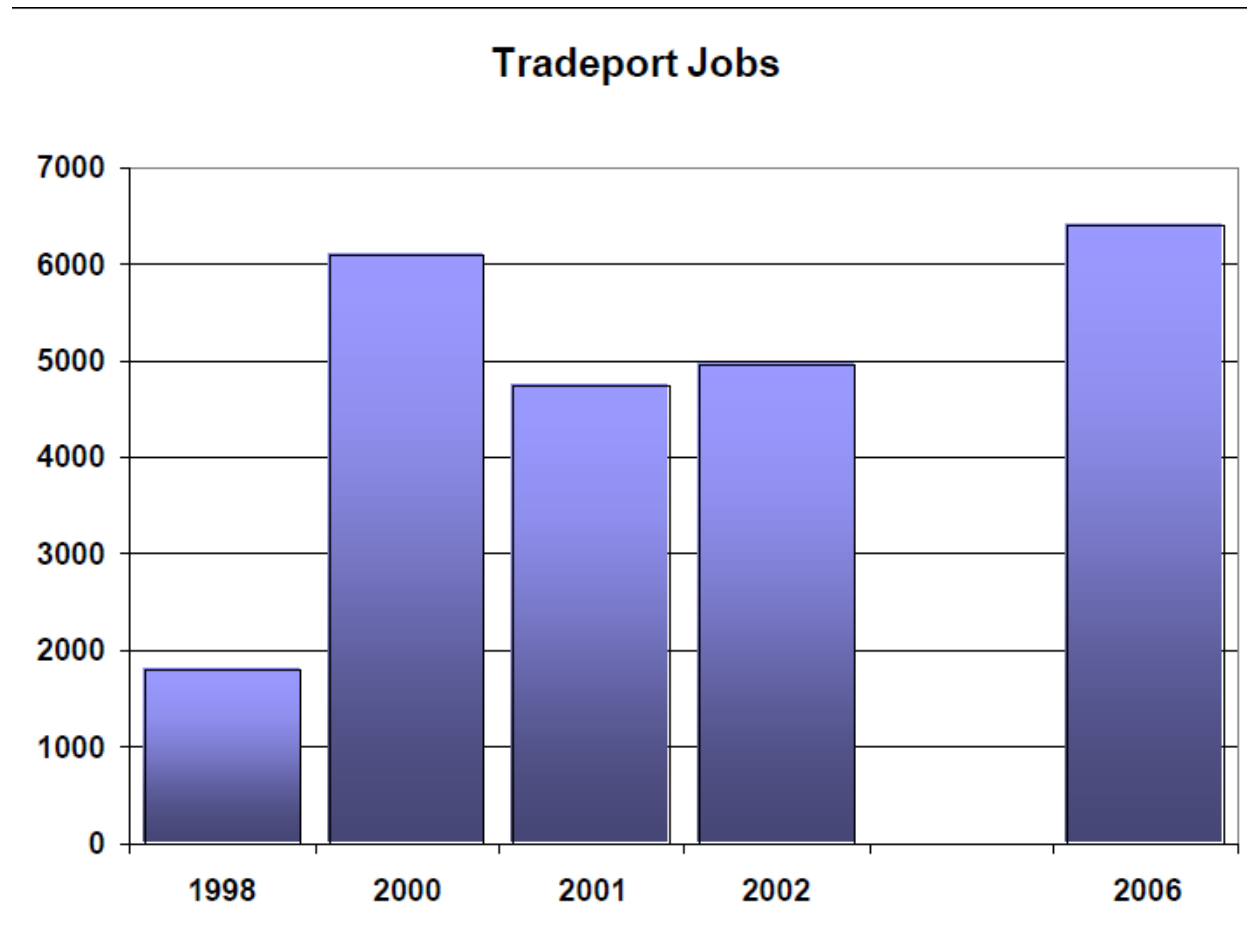
- Base closed in 1990;
- Over 4,000 acres including wetlands/open space;
- Most successful base realignment in the country;
- False start: trying to attract large aerospace users;
- Similar amenities: air and highway access to Pettengill;
- Strong state involvement has proven to be beneficial to the state;
- Pettengill has superior labor force access;
- Pease has higher amenity base in Seacoast region;
- Pease had inventory of buildings—both an asset and liability;
- Like Pettengill, Pease land is readily developable;
- Pease had infrastructure in-place;
- Manchester –Boston airport is superior in terms of both passenger and cargo operations;

Nearly 4.5 million Square Feet Absorbed—350,000 SF per Year

**Total Completed and Committed Tradeport Building
Space At Pease**

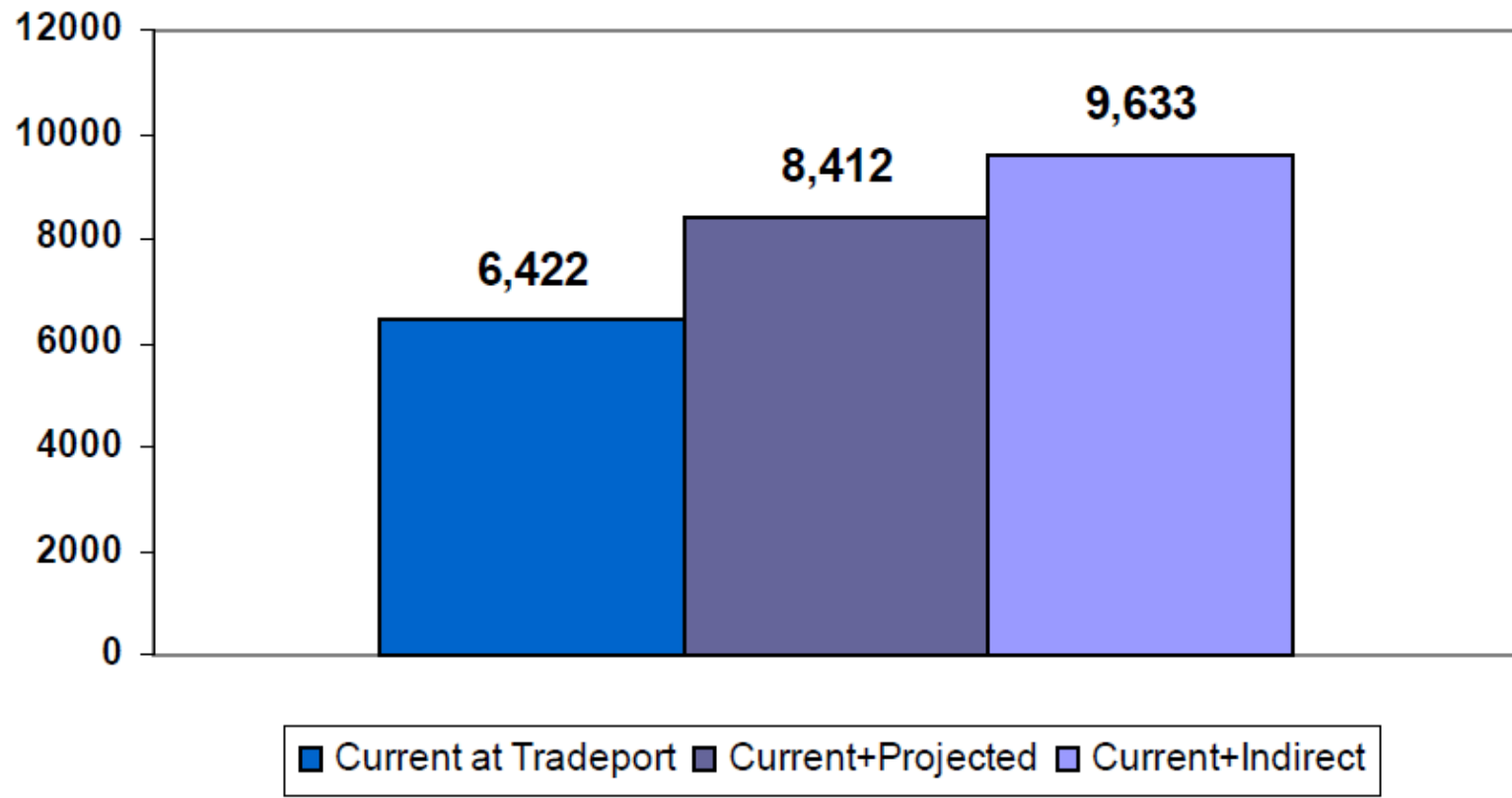


6,500 Jobs on the Base In 2006

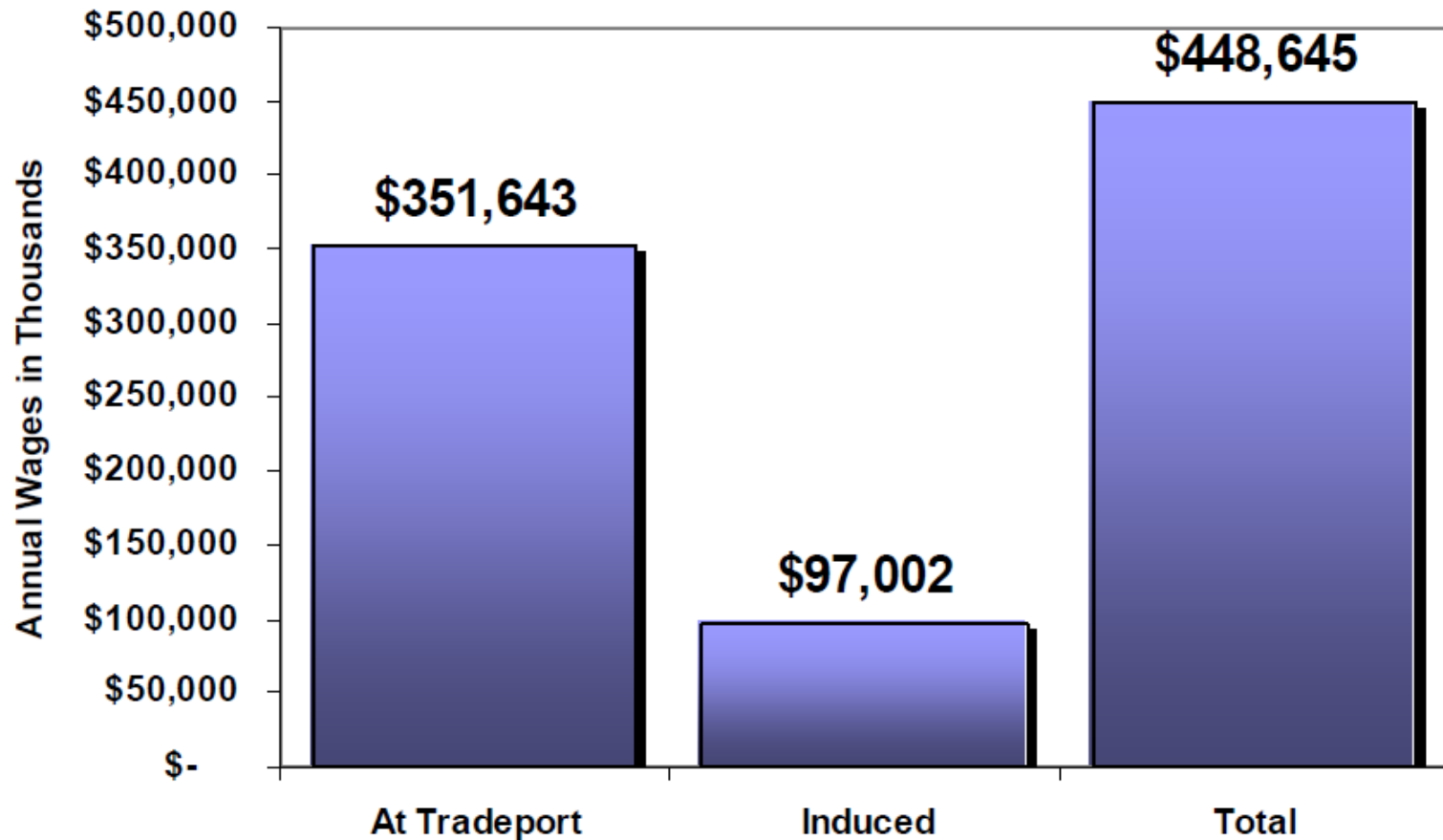


Total Regional Job Impact Nearly 10,000

Pease Jobs, January 2006



Total Wage Impact Nearly \$500 million



A Profitable Venture for the State

Estimated State Revenue

Business Profits Tax	\$	3,196,000
Business Enterprise Tax	\$	4,351,000
Meals and Room Tax	\$	2,776,000
Total	\$	10,323,000

Significant Local Revenue Producer

Total Assessed Value=\$333 Million;

Total Market Value of Taxable Private Investment=
\$401 million;

Taxes Paid in 2005=\$4.2 million;

Total Debt Obligations of Nearly \$50 million,
gradually being reduced

Implications of Pease

- There is truth to “build it and they will come”;
- Access to runway/air facilities has been a secondary consideration at Pease—
 - Road access, readily developable land, accessible infrastructure and regional amenities are important;
- At conventional density of 10,000 square feet per acre, Pease development would support 30 acres of land development per year;
- Pease’s 4.5 million square feet of building area would represent absorption of 450 acres of land at 10,000 SF/acre.
- Centralized marketing within Pease Development Authority has been a plus.

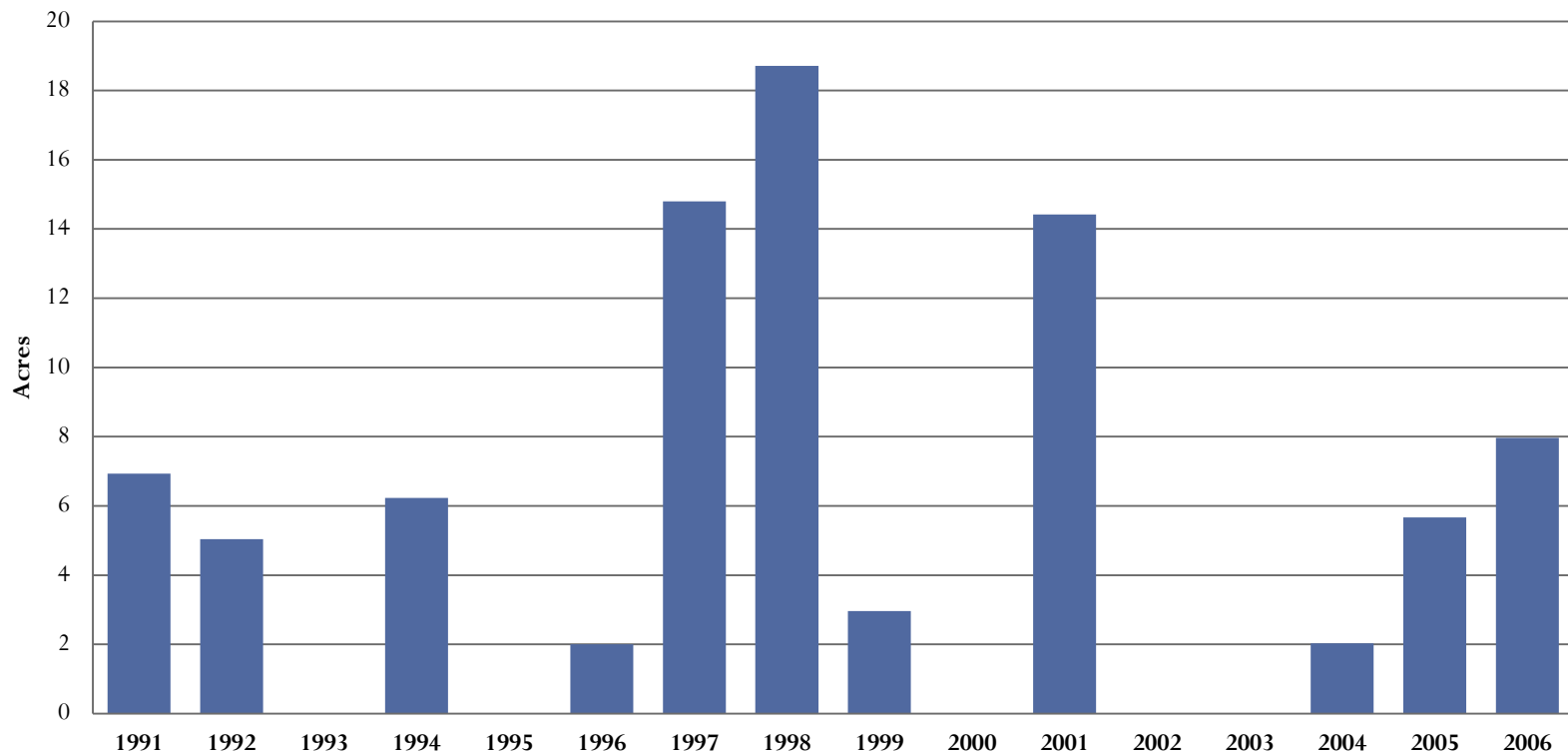
Case Study Comparable Centerra/Lebanon



- Strong location adjacent to Dartmouth Hitchcock, close to I-89 and I-91;
- Dartmouth College developed the site including infrastructure and continues to own several improved properties within the park;
- Most infrastructure was front-loaded;
- Recent land values at \$200,000/acre, highest business park values in the state;
- Active development period is 1991-2005;
- Essentially no regional competition during the absorption period;
- Site has sloped areas—more expensive to develop, but more interesting
- when completed.

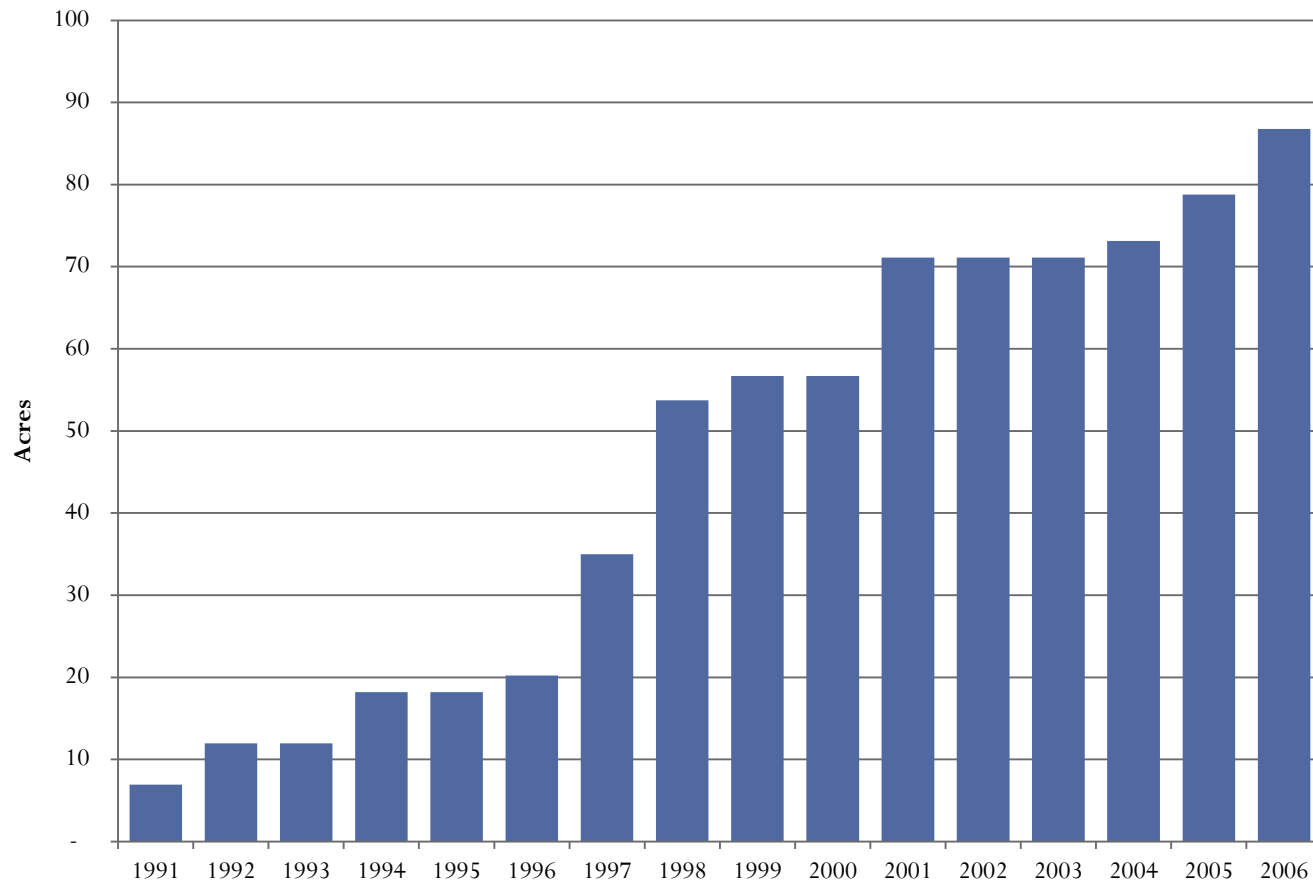
Land Absorption is Sensitive to Economic Environment: Slow in Recession Periods

Centerra Annual Land Absorption



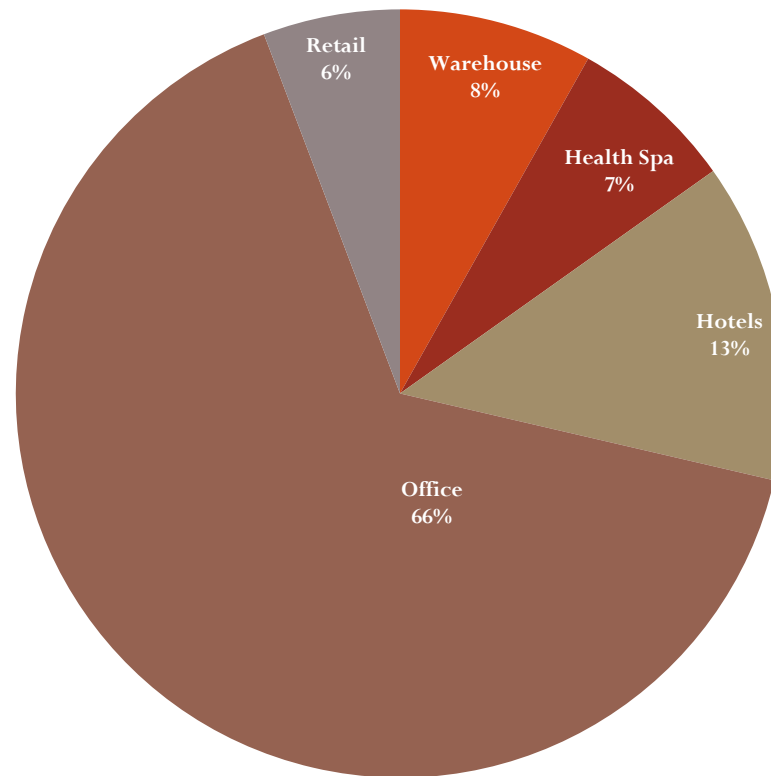
In Fifteen Year Active Marketing Period, 87 Acres Absorbed—
Average of 6 Acres per Year;
Dartmouth Has Been Focused on Quality Users That Fit Well With
College and Hospital (Quality Retailing, Lodging, High Tech, Office)

Centerra Cumulative Land Absorption



Centerra Show a Wide Range of Users, With Office Predominating

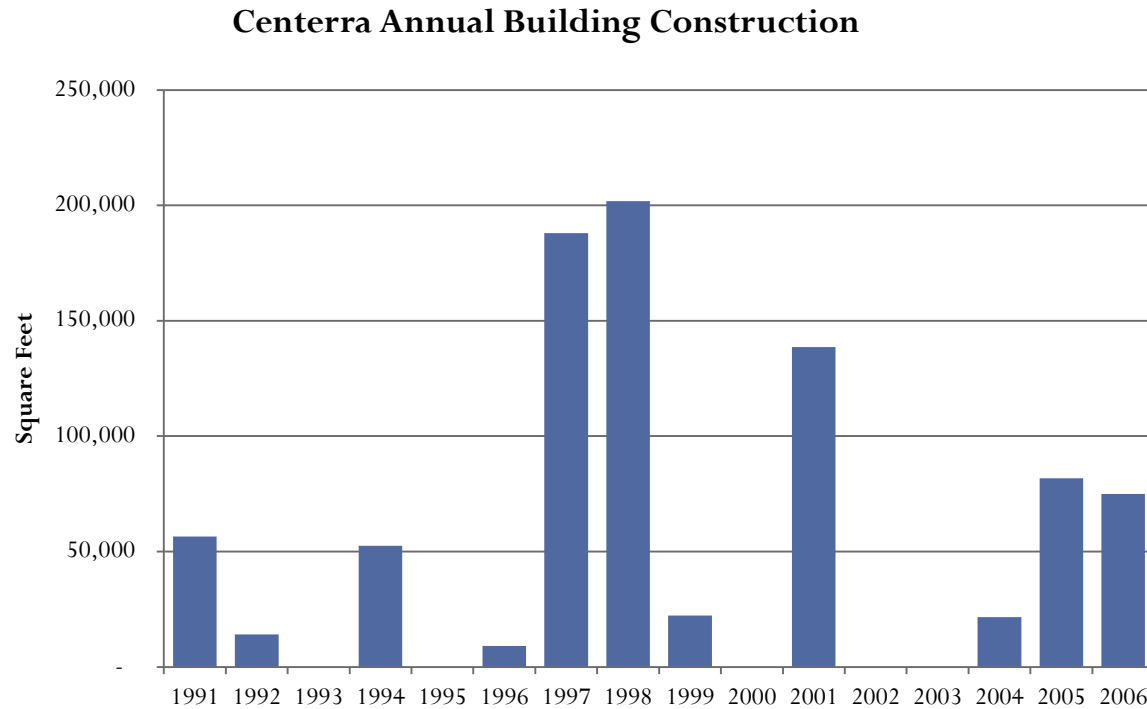
Land Absorption By Use



Generates \$1.8 Million in Annual Property Taxes (2011)

	Acres Abs	Square Feet	Building Assessment	Total Assessment	Land Assessment per Acre	Building Assessment per Square Foot	Total Assessment per Acre	Property Tax Revenues	Property Tax Revenues per Acre
Warehouse	7.07	25,827	\$ 1,045,100	\$ 2,369,900	\$ 180,523	\$ 40	\$ 335,205	\$ 39,791	\$ 5,628
Health Spa	6.09	48,004	\$ 2,666,200	\$ 3,973,900	\$ 202,545	\$ 56	\$ 652,529	\$ 66,722	\$ 10,956
Hotels	11.68	154,160	\$ 21,132,900	\$ 23,813,900	\$ 220,950	\$ 137	\$ 2,038,861	\$ 399,835	\$ 34,232
Office	56.92	572,383	\$ 56,737,600	\$ 69,144,000	\$ 206,734	\$ 99	\$ 1,214,758	\$ 1,160,928	\$ 20,396
Retail	5.00	60,698	\$ 7,694,600	\$ 9,468,800	\$ 351,180	\$ 127	\$ 1,893,760	\$ 158,981	\$ 31,796
Average	86.76	861,072	\$ 89,276,400	\$ 108,770,500	\$ 214,542	\$ 104	\$ 1,253,694	\$ 1,826,257	\$ 21,050

Building Construction Is Erratic, Sensitive to Economic Conditions



Implications of Centerra

- Centerra was able to attract diverse, small high-end users, in part, because of front-loading infrastructure;
- Absorption is cyclical--more positive in strong state/national economic times;
- Even within the strong Hanover-Lebanon market, absorption averaged only 6 acres, 50,000 SF per year;
- Dartmouth had preference for high end users—absorption could have been faster, but quality of development would have suffered;
- Office, retail and lodging uses generate substantially more revenue per acre than warehouse uses;
- But: there is a tradeoff at Pettengill, absorption would be substantially quicker with warehouse users due to airport and highway and regional economic factors.

Interstate Retail-Oriented Developments

Profile of Interstate-Oriented New Hampshire Developments			
	Concord: Horseshoe Pond	Hooksett: Exit 10	Tilton, Exit 20
Location	I-93 Exit 15@I-393	I-93 at Exit 10 along Route 3A	I-93, Exit 10 at US Route 3
Description	TIF-funded redevelopment of former Concord Lumber site	TIF-funded development of several parcels	Privately funded development of multiple parcels straddling I-93
Predominant Land Uses	Office and hotel	Big Box Retail: Kohl's, Home Depot, Target Staples	Big box retailing (Wal Mart, Home Depot, Shaws, etc. and warehousing (J-Jill
First Year of Development	2000	2000	1994
Land Area Absorbed (Acres)	17.5	85	272
Building Area Built (Sq. Ft)	306,600	605,800	1,378,000
Average Annual Building Area	77,000	151,000	114,833
Equalized Building Value Created	\$ 39,153,000	\$ 55,502,000	\$ 150,893,000
Annual Assessed Value Created	\$ 9,788,000	\$ 13,876,000	\$ 12,574,000

2000-2006 (Pre Recession) Londonderry Absorption

New Commerical and Industrial Space Absorption, Londonderry, 2000-2006				
	Building Area (Square Feet)	Acres	Average Annual Building Absorption	Average Annual Acres Absorbed
Office/Retail/Commercial	1,091,519	565	155,931	81
Industrial	537,861	220	76,837	31
Total	1,629,380	786	232,769	112

Comparable Developments Have averaged 150,000 Square Feet of New Space per Year

Synopsis of Business Absorption				
Development	Location	Active Development Period Researched	Total Building Area Absorbed (Square Feet)	Average Annual Building Area Absorbed
Centerra	Lebanon - Hanover	1991-2005	861,000	54,000
Pease Tradeport	Portsmouth	1992-1965	4,500,000	350,000
Horsehoe Pond	Concord	2000-2004	306,600	77,000
Exit 10	Hooksett	2000-2004	605,800	153,000
Exit 20	Tilton	1994-2006	1,378,000	114,800
			Average=	150,000
Source: Applied Economic Research based on town assessment data				

Conclusions

- Based on the experience of comparable settings and Londonderry's recent experience it is reasonable to expect that Pettengill Road can absorb:
 - An average of 25,000-75,000 square feet of commercial (office, retail and lodging) space a year;
 - An average of 75,000-125,000 square feet of industrial (manufacturing, tech, warehouse) space per year;
 - Pettengill Road does have a realistic opportunity to attract a large user (500,000-1,000,000 square feet) but these users are few and far between. There are, however, essentially no competitive sites for such a user in New Hampshire. There have been nibbles in the recent past along these lines.

Costs and Financing

Costs and Financing

- Initial estimates from several years ago estimated total cost of road and sewer infrastructure to be \$12,300,000;
- AER believes it is prudent to increase this by 10% to \$13,530,000 to allow for inflation and a small contingency;
- Costs do not include cost of service roads running off Pettengill Road—the town presumes these to be developer-funded;
- Costs do not include cost of extending water—the town presumes these to be developer-funded;
- Once infrastructure is in place, Pettengill environment will provide adequate land for the long term commercial and development activity in the town—it is a long-term investment

Federal Funding—US Economic Development Administration

- US Economic Development Administration Public Works Grants
 - Provides direct grants for job-creating infrastructure improvements;
 - Remains actively funded;
 - Regional office is familiar with Pettengill Road and has a positive impression of its opportunities;
 - Grants are awarded quarterly and are competitive
 - Londonderry unsuccessfully applied for \$1.9 million—other applications scored higher due to having an immediate job creating end user;
 - Regional EDA office was encouraging, even without job creating end user, but area grant writers are skeptical unless bird is in the hand.

Federal Funding—US Department of Transportation

- TIGER grants—Transportation Investment Generating Economic Recovery
 - Part of the Administrations economic stimulus program;
 - Funded for \$1.5 billion in Fiscal year 2011, \$600 million in 2012;
 - Concord received \$4+Million for upgrading Main Street (only NH award) in 2012;
 - Londonderry officials did inquire regarding TIGER funding for Pettengill Road, but substantial Federal funds committed to the Airport Access Road and to I-93 were seen as a deterrent to a successful application;
 - It is unlikely TIGER will be funded again, but worth monitoring.

Town Funding: TIF

- Is in town's Capital Improvement Plan for Fiscal Year 2013, to be funded in the amount of \$12,348,000 from TIF/General Revenue bonds;
 - Could improve traffic flows to Turnpike and airport;
 - Economic development benefits including tax base enhancement and job creation as noted in this analysis;
 - Town is cautious, pending a major private investment to lead the way.
- TIF—Tax Increment Financing
 - Steps
 - Pre development and bonding phase:
 - Define the TIF district;
 - Create the district (needs an ordinance consistent with state legislation);
 - Current assessed value within district is computed;
 - Development phase
 - Bonds are floated to fund improvements;
 - All or part of property tax revenues from new investment are allocated to retire the tax increment bonds;
 - Has been successful in several NH settings:
 - Successfully used in Concord for Horseshoe Pond business park;
 - Successfully used in Keene for downtown improvements;
 - Downtown Laconia
 - Difficult, if not impossible, to justify without private end user ready to invest.

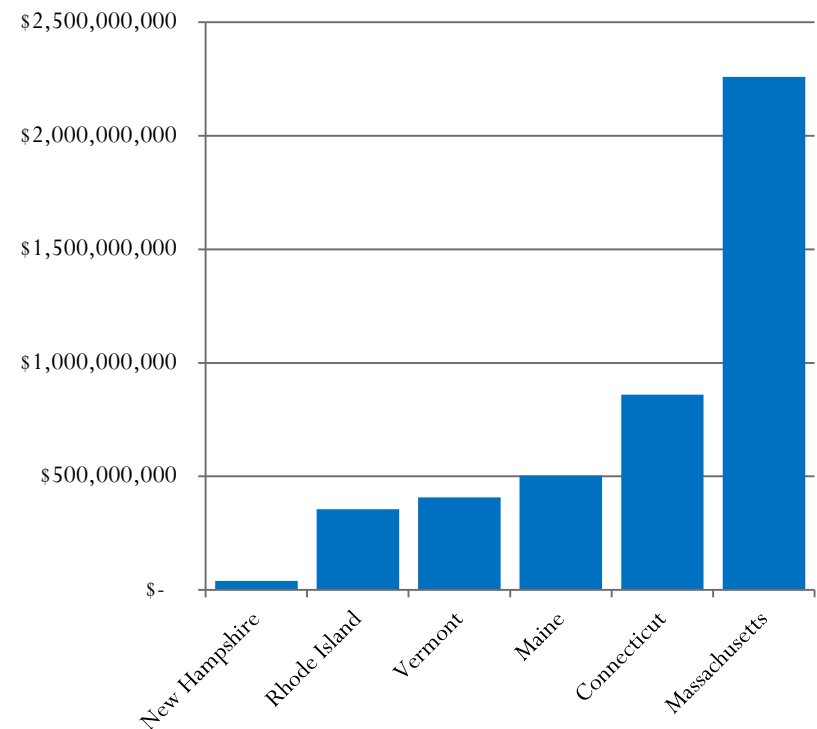
Town Funding: General Bonding/Impact Fees

- General Obligation bonds would not require a business user in-hand;
- Could speed up the private investments—ala Pease and Centerra;
- Road impact fees could offset local revenues
 - Must be reformulated in Londonderry;
 - Current road impact fees are on hold, pending a reconsideration of the formulas;
 - Depending on the formulas deployed, may offset 25-50% of the capital costs of Pettengill Road;
 - Issue is that impact fees can be seen by some as a deterrent to private investment;
 - Impact fees for Pettengill Road probably need to be analyzed in relation to reconsideration of town-wide fee system to meet State enabling legislation requirements;
 - Must be adopted at the start of the process.
- Reformulated sewer tie-in fees could recapture some or all of the capital costs of sewer extensions. Sewer represents \$3.7 million (30%) of project costs.

State Funding

- NH offers one of the lowest levels of state financial support for economic development in the country
- Community Development Block Grants are an option—usually capped at \$500,000 and often directed to community facilities helping low and moderate income recipients
- Pettengill neighborhood has been designated a NH Economic Revitalization Zone, which allows qualifying firms to secure up to \$200,000 in Business Profits Tax and Enterprise Tax credits over a five year period.

**Economic Development
Incentives, 2011**



Source: NY Times, December 2, 2012

Funding Conclusions

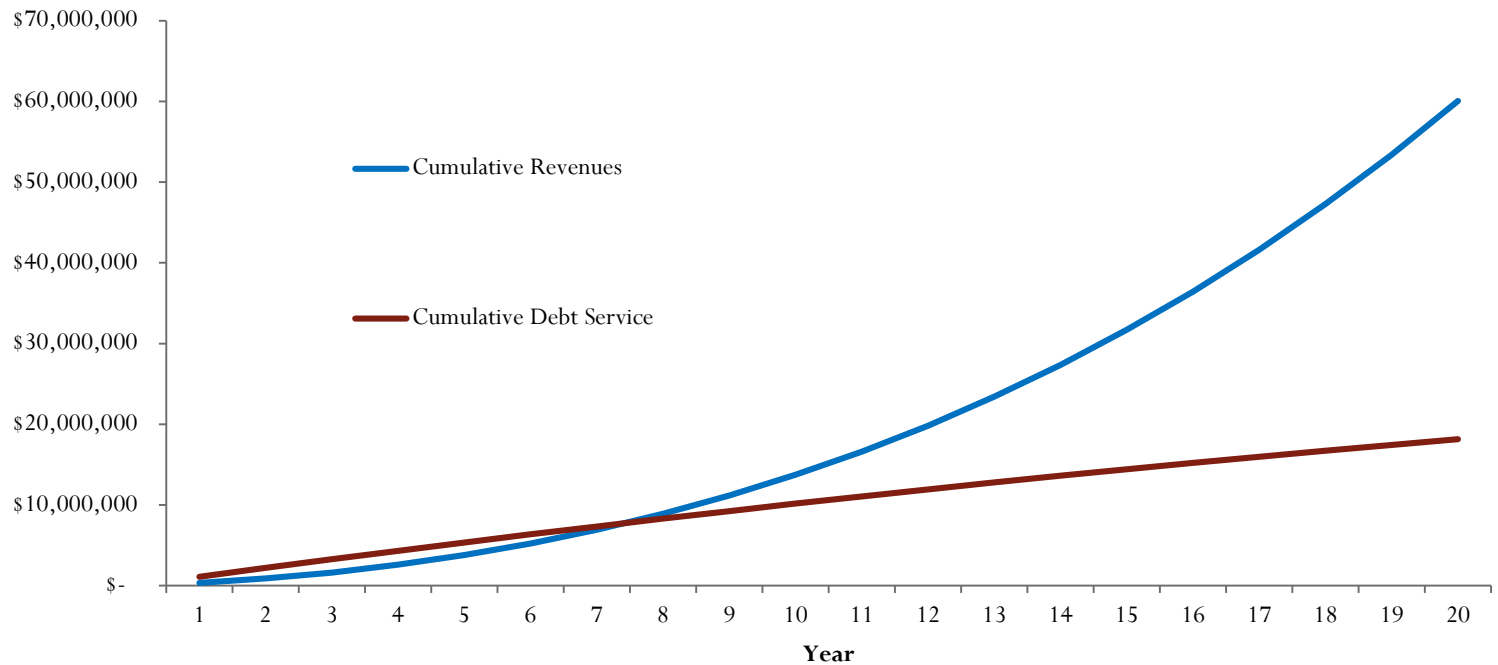
- Bird in the hand is important
 - Greatly enhances EDA funding prospects
 - May support a viable Community Development Block Grant application
 - Makes TIF district more clearly viable, particularly with a large prospect
- Without bird in the hand
 - General obligation bonds can be justified based on both traffic improvement and economic development/tax base criteria;
 - Some risk that private investment may lag expectations, but overall the prospects for eventual significant private investment are excellent;
 - Preserves the approvals and engineering work already completed, which will otherwise expire in July 2014;
 - Road impact fee and sewer tap fees could offset town's capital investment

Financing Scenarios

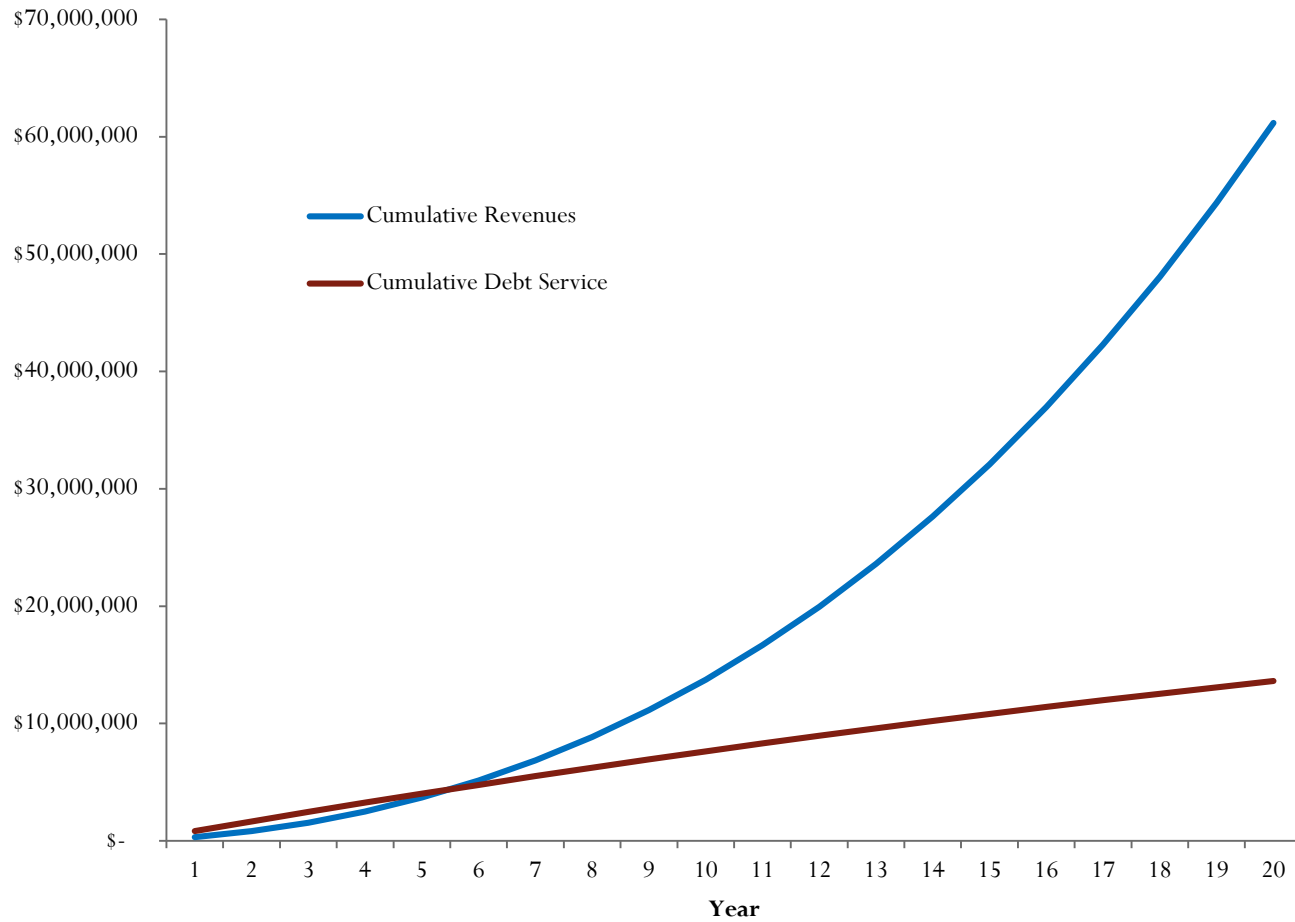
Pettingill Road Financial Scenarios

	Scenario A		Scenario B		Scenario C	
Concept/Modification	Base Case		Adds more office/Retail Presumes 25% grants/private pay Drops TIF tax rate to 75% of town rate		Presumes 500,000 sf warehouse year 1 50% grants/private pay	
Assumptions						
First Year Land Increment Value	\$	7,525,000	\$	7,525,000	\$	7,525,000
First Year Unique SF Added	\$	-	\$	-		500,000
Average Annual Warehouse/Manuf. Space Absorbed (Sq. Ft.)		100,000		100,000		100,000
Average Annual Office/Retail Lodging (Sq. Ft.)		25,000		50,000		50,000
Infrastructure Cost	\$	13,530,000	\$	13,530,000	\$	13,530,000
Less: Grants/Private/Impact Fees	\$	-	\$	(3,382,500)	\$	(6,765,000)
Net Local Infrastructure Cost	\$	13,530,000	\$	10,147,500	\$	6,765,000
Local Service Cost Allowance (\$/000)	\$	0.74	\$	0.74	\$	0.74
% of TIF Revenues Applied To District		100%		75%		75%
Bond Term in Years		20		20		20
Bond Interest Rate		3.25%		3.25%		3.25%
Inflation Rate		2.0%		2.0%		2.0%
Total Permanent Jobs Created (20 year build-out)		10,000		13,400		15,000
Internal Rate of Return		12.5%		15.7%		24.9%
First Year Annual Revenues Exceed Annual Debt Service		5		4		1
First Year Cumulative Total Revenues Exceed Debt Service		8		6		1
Assessed Value Created						
Year 5	\$	49,800,000	\$	66,100,000	\$	91,100,000
Year 20	\$	204,900,000	\$	280,870,000	\$	305,870,000
Annual Property Tax Revenues						
Year 5	\$	1,198,000	\$	1,192,000	\$	1,643,000
Year 20	\$	6,633,000	\$	6,294,000	\$	7,425,000
Cumulative Net Property Tax Revenues: 20 Years	\$	60,000,000	\$	61,182,000	\$	71,300,000
Total Debt Service 20 Years (Principal and Interest)	\$	(18,100,000)	\$	(13,610,000)	\$	(9,100,000)
Excess of Revenues Over Costs	\$	41,900,000	\$	47,572,000	\$	62,200,000

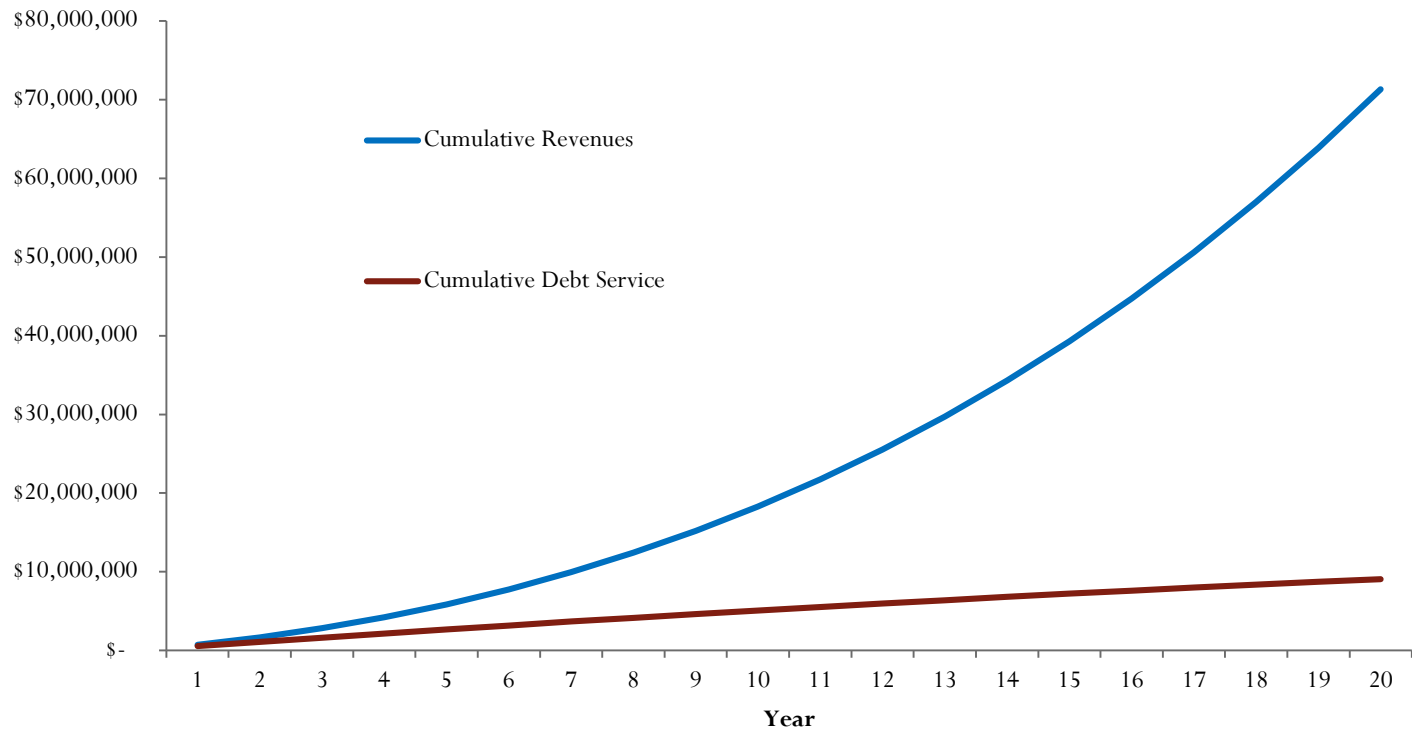
Scenario A Cumulative Revenues and Debt Service



Scenario B: Cumulative Revenues and Debt Service



Scenario C: Cumulative Revenues and Debt Service



Scenario A			
75% of Revenues Applied To TIF			
Warehouse/Industrial Focus			
100% Town Funded			
Assumptions			
Annual Absorption			
	Square Feet	Assessment \$/Square Foot	Dollars
Warehouse/Manufacturing	100,000	\$ 50.00	\$ 5,000,000
Office/Retail/Lodging	25,000	\$ 125.00	\$ 3,125,000
Annual Value Increment			\$ 8,125,000
Initial Investment			
	Acres	Value Increment per Acre	Increment
Initial Land Incremental Value	215	\$ 35,000	\$ 7,525,000
Initial Major Building Investment			
	SF	\$/sf	Increment
Warehouse	-	\$ 50.00	\$ -
Total First Year Increment			\$ 7,525,000
Infrastructure Costs			
Roads and sewer	\$ 12,300,000		
Municipally Funded Water	\$ -		
Other	\$ -		
Subtotal	\$ 12,300,000		
Contingency-10%	\$ 1,230,000		
Total Cost	\$ 13,530,000		
Less: Grants or Private Pay	\$ -		
Net Infrastructure Cost	\$ 13,530,000		
Revenue Assumptions			
Full Value Property Tax Rate (2011)	\$ 22.96		
Set Aside for Local Cost of Services	\$ (0.74)		
Net Tax Rate	\$ 22.22		
% Applied to TIF District	100%		
Amount Applied To TIF District	\$ 22.22		
Bond Terms			
Bond Interest Rate	3.25%		
Bond Term in Years	20		
Inflation Rate	2.0%		
Discount Rate	5.25%		
Total TIF Revenues After Debt Service	\$ 41,895,888		
Internal Rate of Return	12.5%		

Scenario B			
75% of Revenues Applied To TIF			
Mixed Warehouse/Commercial			
75% Town Funded			
Assumptions			
Annual Absorption	Square Feet	Assessment \$/Square Foot	Dollars
Warehouse/Manufacturing	100,000	\$ 50.00	\$ 5,000,000
Office/Retail/Lodging	50,000	\$ 125.00	\$ 6,250,000
Annual Value Increment			\$ 11,250,000
Initial Investment			
	Acres	Value Increment per Acre	Increment
Initial Land Incremental Value	215	\$ 35,000	\$ 7,525,000
Initial Major Building Investment			
	SF	\$/sf	Increment
Warehouse	-	\$ 50.00	\$ -
Total First Year Increment			\$ 7,525,000
Infrastructure Costs			
Roads and sewer	\$ 12,300,000		
Municipally Funded Water	\$ -		
Other	\$ -		
Subtotal	\$ 12,300,000		
Contingency-10%	\$ 1,230,000		
Total Cost	\$ 13,530,000		
Less: Grants or Private Pay	\$ (3,382,500)		
Net Infrastructure Cost	\$ 10,147,500		
Revenue Assumptions			
Full Value Property Tax Rate (2011)	\$ 22.96		
Set Aside for Local Cost of Services	\$ (0.74)		
Net Tax Rate	\$ 22.22		
% Applied to TIF District	75%		
Amount Applied To TIF District	\$ 16.66		
Bond Terms			
Bond Interest Rate	3.25%		
Bond Term in Years	20		
Inflation Rate	2.0%		
Discount Rate	5.25%		
Total TIF Revenues After Debt Service	\$ 47,571,666		
Internal Rate of Return	15.7%		

Scenario C			
75% of Revenues Applied To TIF			
Mixed Warehouse/Commercial			
50% Town Funded, 500,000 SF Initial Tenant			
Assumptions			
Annual Absorption	Square Feet	Assessment \$/Square Foot	Dollars
Warehouse/Manufacturing	100,000	\$ 50.00	\$ 5,000,000
Office/Retail/Lodging	50,000	\$ 125.00	\$ 6,250,000
Annual Value Increment			\$ 11,250,000
Initial Investment			
	Acres	Value Increment per Acre	Increment
Initial Land Incremental Value	215	\$ 35,000	\$ 7,525,000
Initial Major Building Investment			
	SF	\$/sf	Increment
Warehouse	500,000	\$ 50.00	\$ 25,000,000
Total First Year Increment			\$ 32,525,000
Infrastructure Costs			
Roads and sewer	\$ 12,300,000		
Municipally Funded Water	\$ -		
Other	\$ -		
Subtotal	\$ 12,300,000		
Contingency-10%	\$ 1,230,000		
Total Cost	\$ 13,530,000		
Less: Grants or Private Pay	\$ (6,765,000)		
Net Infrastructure Cost	\$ 6,765,000		
Revenue Assumptions			
Full Value Property Tax Rate (2011)	\$ 22.96		
Set Aside for Local Cost of Services	\$ (0.74)		
Net Tax Rate	\$ 22.22		
% Applied to TIF District	75%		
Amount Applied To TIF District	\$ 16.66		
Bond Terms			
Bond Interest Rate	3.25%		
Bond Term in Years	20		
Inflation Rate	2.0%		
Discount Rate	5.25%		
Total TIF Revenues After Debt Service	\$ 62,230,444		
Internal Rate of Return	24.9%		

About Applied Economic Research

Applied Economic Research provides comprehensive economic and development consulting services to public and private clients. Since 1976 Applied Economic Research has developed a reputation for objective research and seasoned judgment. We take special pride in our high level of repeat clients and referrals--the best indicators of a job well done. Typical assignments include:

Feasibility Studies including market studies of new residential, commercial and industrial developments; financial pro formas; rehabilitation/reinvestment projects; and highest/best use studies of vacant land.

Development Strategies including target market/product definition analysis, market penetration, buyer preference surveys, problem loan work-outs, and site selection studies.

Valuation/Appraisal of real estate and businesses in financing, acquisition/disposition, tax and litigation settings.

Public Policy Analysis including downtown redevelopment, affordable housing, capital improvement programming, economic development strategies, growth impact studies and neighborhood revitalization.

Impact Studies including school and community facilities impacts, shopping center impact studies, and economic impact analysis of new public investments including highways.